

## Message Text

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TAGS: ETRD, EEC  
SUBJECT: TEXTILES: COMMISSION APPROVES PROPOSAL TO THE COUNCIL  
ON MFA EXTENSION

REF: (A) EC BRUSSELS 12401, (B) EC BRUSSELS 12512

1. COMMISSION OFFICIALS CONFIRMED TO US THAT THEY CONTINUE TO FOLLOW THE SCENARIO LEAD OUT IN REF B. IN A MEETING ON DECEMBER 22, EC COMMISSIONERS APPROVED A COMMUNICATION TO THE COUNCIL DISCUSSING COMMUNITY OBJECTIVES WITH RESPECT TO THE MFA AND PROVIDING THE TEXT OF A SET OF GUIDELINES TO BE USED IN DISCUSSING THE EXTENSION OF THE MFA. THESE GUIDELINES WILL REQUIRE COUNCIL APPROVAL. MISSION HAS OBTAINED A COPY OF THE COMMISSION COMMUNICATION AND IS FORWARDING IT TO EUR/RPE-BRESLER. SOURCE EXPRESSED GREATER THAN USUAL SENSITIVITY OVER PROTECTION OF THIS DOCUMENT, INDICATING THAT KNOWLEDGE BY CERTAIN MEMBER STATES THAT IT IS IN US HANDS COULD BE BOTH EMBARRASSING AND DANGEROUS TO COMMISSION OFFICIALS.

2. COMMISSION COMMUNICATION EMPHASIZES THAT THE QUESTION OF RENEWAL OF MFA NEEDS TO BE SETTLED IN THE  
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"EARLY MONTHS" OF 1977. THE EC "FAVORS A NEGOTIATION FOR THE RENEWAL OF THE ARRANGEMENT IN THE COURSE OF WHICH CONSIDERATION SHOULD BE GIVEN TO POSSIBLE MEANS OF EFFECTING IMPROVEMENTS, TAKING INTO ACCOUNT THE EXPERIENCE GAINED OVER THE LAST THREE YEARS". THE DOCUMENT NOTES THAT EC PARTICIPATION IN THE MFA HAS NOT PREVENTED

DRAMATIC INCREASES IN EC TEXTILE IMPORTS AND STATES THAT THE WAY IN WHICH THE MFA "HAS BEEN INTERPRETED DURING ITS FIRST THREE YEARS" HAS NOT BEEN SATISFACTORY. IT CLOSES WITH A "PROPOSAL FOR A COUNCIL DECISION AUTHORIZING THE COMMISSION TO NEGOTIATE THE RENEWAL" OF THE MFA. THE COMMISSION IS TO CONDUCT THIS NEGOTIATION FOR THE EC IN CONSULTATION WITH THE MEMBER STATE WORKING GROUP ON TEXTILES AND ON THE BASIS OF THE ELEVEN GUIDELINES ANNEXED TO THE PROPOSED COUNCIL DECISION. THE TEXT OF THESE GUIDELINES FOLLOWS:

- A. ENSURE THAT THE RELATIVE PENETRATION OF IMPORT MARKETS, THE EVOLUTION OF DOMESTIC CONSUMPTION AND THE CUMULATIVE EFFECTS OF IMPORTS ARE RECOGNISED AS BEING AMONG THE FACTORS JUSTIFYING REQUEST FOR CONSULTATIONS AND NEGOTIATIONS IN SITUATIONS OF MARKET DISRUPTION (OR REAL RISK THEREOF), AS DEFINED IN THE ARRANGEMENT, AND IN ADDITION, ENSURE THAT THESE FACTORS MAY VALIDLY BE TAKEN INTO ACCOUNT IN FIXING IN THE EXCEPTIONAL CASES REFERRED TO IN THE SECOND SENTENCE OF ANNEX B (2), A GROWTH RATE LOWER THAN 6 PERCENT.
- TO THE EXTENT THAT THE COMMUNITY OBTAINS SATISFACTION ON THIS AND OTHER ISSUES REFERRED TO BELOW, THE COMMUNITY WOULD PROPOSE AN INCREASE IN THE ANNUAL GROWTH RATE CONTAINED IN THE FIRST SENTENCE OF ANNEX B (2) FROM 6 PERCENT TO 7 PERCENT.
- B. TAKING INTO ACCOUNT THE NEED FOR RENEGOTIATE BILATERAL AGREEMENTS CONCLUDED RE-AFFIRM THE DUTY OF ALL PARTIES TO AFFORD FULL OPPORTUNITY FOR BILATERAL CONSULTATIONS AND NEGOTIATIONS.
- C. IN ORDER TO AVOID HAVING TO ACCEPT ABNORMALLY HIGH LIMITED OFFICIAL USE

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REFERENCE LEVELS WHEN RECOURSE IS MADE TO ARTICLE 3 MEASURES FOLLOWING LONG DRAWN-OUT ARTICLE 4 NEGOTIATIONS, ENSURE THAT FORESTALLING OPERATIONS ARE AVOIDED, FOR EXAMPLE:

- EITHER BY FIXING TIME-LIMITS FOR THE CONCLUSION OF NEGOTIATIONS UNDER ARTICLE 4,
- OR BY ENSURING THE ACCEPTANCE OF THE PRINCIPLE THAT A REQUEST FOR NEGOTIATIONS UNDER ARTICLE 4 IS DEEMED TO FIX THE REFERENCE PERIOD FOR A POSSIBLE REQUEST FOR CONSULTATIONS UNDER ARTICLE 3.
- D. INsofar AS IT MAY BE AGREED TO LIMIT THE CONDITIONS OR CIRCUMSTANCES IN WHICH RECOURSE MAY BE MADE TO ARTICLE XIX OF GATT FOR THE ADOPTION OF QUANTITATIVE RESTRICTIONS ON PRODUCTS COVERED BY THE MFA, ENSURE THAT, IF THE REFERENCE PERIOD CONTAINED IN ANNEX B (1) (A) IS PARTICULARLY UNFAVOURABLE TO ONE OR OTHER PARTY DUE TO ABNORMAL CIRCUMSTANCES, IMPORTS EFFECTED OVER A PERIOD OF SEVERAL YEARS MAY BE TAKEN INTO ACCOUNT.

E. DEFINE THE SCOPE OF MORE LIBERAL MARKET ACCESS FOR DEVELOPING COUNTRIES WHICH ARE NEWCOMERS TO THE MARKET AND FOR THOSE WHICH ARE MOST SEVERAL DISADVANTAGED, WHICH WOULD ENABLE THE GAP BETWEEN THEM AND THOSE SUPPLIERS WHOSE EXPORTS ALREADY REPRESENT A DOMINANT SHARE OF TRADE TO BE REDUCED TO THE EXTENT THAT THE LATTER ACCEPT A STABILISATION OF THEIR SITUATION, AND BEARING IN MIND THE FACTORS SET OUT IN POINT A ABOVE.

F. ENSURE THAT THE PROVISIONS OF ANNEX A DO NOT CREATE DIFFICULTIES FOR THE ADOPTION OF SAFEGUARD MEASURES WHERE MARKET DISRUPTION IS CAUSED BY "PRICE" CONSIDERATIONS, AND CONFIRM THAT "PRICE" AND "QUANTITY" MAY BE TAKEN SEPARATELY INTO ACCOUNT.

G. ENSURE THAT, IN THE COMPOSITION OF THE TSB, ONE OF THE FACTORS WHICH IS FUNDAMENTAL TO ITS PROPER BALANCE-- NAMELY THE BALANCE BETWEEN PARTIES WHICH VIEW TRADE PROBLEMS AS IMPORTERS AND THOSE WHICH VIEW THEM AS EXPORTERS --IS NOT DISTORTED. AT THE SAME TIME, ENSURE, LIMITED OFFICIAL USE

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POSSIBLY BY A SLIGHT INCREASE IN ITS MEMBERSHIP, THAT THE TSB'S COMPOSITION IS BROADLY REPRESENTATIVE OF THE PARTIES TO THE ARRANGEMENT.

H. REGARDING HANDLOOM PRODUCTS, SEEK CONFIRMATION OF THE INTERPRETATION OF ARTICLE 12, PARAGRAPH 3, TO THE EFFECT THAT HANDLOOM ARTICLES ARE NOT SUBJECT TO THE APPLICATION OF THE MFA'S PROVISIONS, PROVIDED THAT AGREED ARRANGEMENTS FOR CERTIFICATION ARE DRAWN UP BETWEEN THE PARTIES, BUT THAT, IN THE ABSENCE OF SUCH AGREED ARRANGEMENTS, OR SHOULD SUCH ARRANGEMENTS NOT OPERATE SATISFACTORILY, HANDLOOM PRODUCTS ARE SUBJECT TO MEASURES TAKEN UNDER THE MFA. SHOULD THE NEED ARISE, FURTHER PROPOSALS MAY BE MADE IN THE COURSE OF NEGOTIATIONS.

I. ENSURE THAT ADDITIONAL UNDERTAKING CAN IN THE FUTURE BE OBTAINED FROM PARTIES TO THE MFA WHICH ARE NOT GATT CONTRACTING PARTIES, SO THAT THESE COUNTRIES DO NOT OBTAIN MORE FAVOURABLE TREATMENT THAN THAT ACCORDED TO CONTRACTING PARTIES, TAKING INTO ACCOUNT THE PROVISIONS OF THE GATT INCLUDING ITS ANNEXES AND PROTOCOLS.

J. PROPOSE AN ARRANGEMENT OF 5 YEARS DURATION.

K. ENSURE A REALISTIC AND EQUITABLE TREATMENT REGARDING THE RIGHTS AND OBLIGATIONS OF POSSIBLE NEW PARTIES TO THE ARRANGEMENT.

3. COMMENT: ADDRESSEES SHOULD NOTE THAT THIS DOCUMENT FOLLOWS COMMISSION STRATEGY LAID OUT IN PARA 4, REF A, I.E., IT ENDORSES THE NEED FOR AN EARLY DECISION ON MFA RENEWAL AND EMPHASIZES THE NEED

FOR REINTERPRETATION OF A RENEWED FMA, NOT THE  
NEGOTIATION OF A NEW AGREEMENT. HINTON

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